

Message Text

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ACTION EUR-08

INFO OCT-01 ISO-00 EB-03 SS-14 INR-05 L-01 PM-03 SAJ-01

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R 231530Z SEP 75K

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 4265

C O N F I D E N T I A L SECTION 1 OF 2 BUDAPEST 3092

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EO 11652: GDS

TAGS: EEWT MILI HU PFOR

SUBJECT: POSSIBLE SALE OF HUNGARIAN BEEF AND OTHER MEAT PRODUCTS
TO U.S. ARMED FORCES IN EUROPE

1. FOR MANY MONTHSNOW HUNGARIAN OFFICIALS HIGH AND LOW
HAVE BEEN CATERWAULING PUBLICLY AND PRIVATELY ABOUT "ECONOMIC
DISCRIMINATION" AGAINST THEIR SMALL COUNTRY BY WEALTHY AND
POWERFUL WESTERN NATIONS. THE U.S. RECEIVES ITS LUMPS FOR
THE TRADE ACT OF 1974 AND THE "DENIAL OF MFN"; THE EUROPEAN
ECONOMIC COMMUNITIES GET AN EQUALLY GENEROUS PORTION FOR THE
"BEEF BAN." THEY CHARGE THAT THE EC BEEF BAN WAS SUDDENLY
IMPOSED WITHOUT PRIOR CONSULTATION, AND THAT IT HAS DENIED
THEM ACCESS TO TRADITIONAL WESTERN EUROPEAN EXPORT MARKETS,
ESPECIALLY IN ITALY. WE KNOW FOR A FACT THAT PUJA
RAISED ISSUE WITH SAUVAGNARGUES IN PARIS LAST MAY AND
THEN WITH GENSCHER DURING HIS SUBSEQUENT VISIT TO BONN.
WE UNDERSTAND THAT FOREIGN TRADE MINISTER BIRO WILL PURSUE
SUBJECT FURTHER DURING HIS SCHEDULED VISIT TO FRG IN
AUTUMN 1975. EARLIER THIS MONTH VILAGGAZDASAG'S BONN
CORRESPONDENT IN INTERVIEW WITH DIRECTOR ULRICH MOHRMANN
OF FRG'S MINISTRY OF ECONOMIC AFFAIRS HAS QUOTED LATTER AS
STATING THAT BONN WILL STRIVE TO CHANGE "EEC IMPOSED
RESTRICTIONS ON CATTLE IMPORTS" IN ORDER TO ALLOW MORE IMPORTS
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FROM HUNGARY. MEANWHILE, AS HUNGARY'S ECONOMIC PROSPECTS

GROW NO BRIGHTER, HSWP PARTY-LINERS, NEM IDEOLOGUES, AND
MAGYAR TRADERS FIND THEMSELVES IN RARE BUT TOTAL AGREEMENT:
ALL THREE ELEMENTS ARE GRUMBLING AT THE EC-NINE FOR THE
BEEF IMPORT BAN AND AT THE U.S. FOR THE "DENIAL" OF MFN;
AND ALL THREE ARE JOYOUS AND VERBALLY GRATEFUL TO USSR,
FOR IT WAS "SOVIET BROTHER" THAT AGREED TO TAKE AWKWARD
BEEF SURPLUS OFF THEIR HANDS PURPORTEDLY UNDER VERY
GENEROUS CONDITIONS. WHETHER THE PRICE THE SOVIETS PAID
WAS RIGHT WE DO NOT KNOW; BUT WE SERIOUSLY DOUBT THAT
MOSCOW PAID HARD DOLLARS FOR SURPLUS HUNGARIAN BEEF.

2. SO, WITH VIEW TO POSSIBLY EXPANDING BILATERAL TRADE
(WHICH SHOULD ALSO HAVE SIDE EFFECT OF SPEEDING UP
HUNGARIAN PAYMENTS UNDER 1973 CLAIMS AGREEMENT), EMBASSY
HAS MADE INFORMAL, UNOFFICIAL, LOW-LEVEL INQUIRIES ABOUT
POSSIBLE PURCHASE OF HUNGARIAN BEEF AND OTHER MEAT PRODUCTS
BY DEFENSE SUPPLY AGENCY (DSA) WHICH PROCURES SUBSISTENCE
ITEMS FOR U.S. FORCES IN EUROPE. KNOWING THAT MILITARY
COMMISSARIES IN EUROPE STOCK AND SELL MEAT PRODUCTS FROM
ALLIED NATIONS AND ALSO FROM YUGOSLAVIA AND IRELAND, EMBASSY
ASKED WHETHER DSA OPERATING UNDER STATUTE, REGULATIONS OR
POLICY GUIDANCE WHICH WOULD PREVENT HUNGARIANS FROM SUB-
MITTING BIDS FOR SALE OF CARCASS BEEF AND OTHER MEAT PRODUCTS.
IN REPLY WE HAVE BEEN INFORMED - UNOFFICIALLY, ORALLY AND
AT WORKING LEVEL - THAT DASA EUROPE WOULD WELCOME MORE
COMPETITIVE BIDDERS, INCLUDING EVEN HUNGARIANS. SUBJECT
ONLY TO 1) U.S. DEPARTMENT OF AGRICULTURE APPROVAL OF
SLAUGHTER HOUSES AND MEAT PROCESSING PLANTS AND 2) GOH
AGREEMENT TO ALLOW PERIODIC ON-SITE INSPECTION BY
VETERINARIAN PERSONNEL OF U.S. ARMY, IT WOULD APPEAR
POSSIBLE FOR HUNGARIAN TRADE OFFICIALS TO COMPETE FOR THIS
HARD CURRENCY BUSINESS.

3. COMMENT: THE HUNGARIANS ARE AVIDLY SEEKING EXPORT
OPPORTUNITIES TO THE WEST THAT WILL YIELD HARD CURRENCY.
IF, DESPITE THE MFN ROADBLOCK, THE U.S. CAN GUIDE THEM TO
A SALES OPPORTUNITY WHERE NO DISCRIMINATION EXISTS AND
WHERE THEIR MEAT PRODUCTS CAN COMPETE EFFECTIVELY, THEY
WILL FIND THEMSELVES FORCED TO SCRATCH THEIR HEADS:
IS HUNGARY, A LOYAL
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MEMBER OF THE WARSAW PACT, PREPARED
TO BECOME A DIRECT PROVISIONER OF FOODSTUFFS FOR U.S.
MILITARY FORCES IN THE FIELD IN ORDER TO EARN BADLY

NEEDED HARD CURRENCY?

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ACTION EUR-08

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C O N F I D E N T I A L SECTION 2 OF 2 BUDAPEST 3092

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4. ACTION REQUESTED: REALIZING FULLY THAT FAR LARGER
AND BROADER POLICY ISSUES ARE INVOLVED, WE SUBMIT FOR THE
DEPARTMENT'S CONCURRENCE AND COMMENTS THE FOLLOWING
PROPOSED COURSE OF ACTION:

A) AMBASSADOR ACCOMPANIED BY COMMERCIAL OFFICER WILL
CALL ON DR. SALUSINSZKY, PRESIDENT OF HUNGARIAN
FOREIGN TRADE BANK, THE HYPERACTIVIST WHO ENGINEERED
THE DEAL THAT BROUGHT BOTH PEPSI COLA AND COCA COLA
TO THE HUNGARIAN SCENE - AND A MAN NOT WITHOUT CUPIDITY.

B) AFTER EXCHANGE OF PLEASANTRIES, ONE CAN EXPECT
SALUSINSZKY TO PLAY THE MDN RECORD AGAIN AND ALLEGE THAT
TRADE ACT OF 1974 DISCRIMINATES AGAINST HUNGARY.

C) AFTER RESTATING ADMINISTRATION POLICY AS DEFINED BY
PRESIDENT AND SECRETARY, MCAULIFFE MIGHT EXPRESS
SURPRISE THAT KEEN-WITTED MAGYARS, UNLIKE SEVERAL
OTHER COUNTRIES, HAVE NEVER SOUGHT TO SELL THEIR
MERCHANDISE, ESPECIALLY HIGH QUALITY MEAT PRODUCTS,
TO UNITED STATES GOVERNMENT ITSELF AND SPECIFICALLY
TO U.S. MILITARY FORCES IN EUROPE.

D) SALUSINSZKY'S NATURUL BENT MAKES IT EXTREMELY
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UNLIKELY THAT HE WOULD CONSIDER IDEA ZANY. WERE HE TO DO SO, ONE COULD POINT OUT THAT HUNGARIAN BEEF, PORK AND OTHER MEAT PRODUCTS HAVE WITHOUT DOUBT IN PAST YEARS AS RESULT OF NORMAL COMMERCIAL TRANSACTIONS FOUND THEIR WAY INTO MOUTHS AND STOMACHS OF ITALIAN AND FRG ARMED FORCES; ARE AMERICANS ANY LESS DESERVING OF ENJOYING FINE FOOD PRODUCTS ON WHICH HUNGARY PRIDES ITSELF? WERE HE TO RAISE QUESTIONS ABOUT INSPECTION OF SLAUGHTER HOUSES BY DEPARTMENT OF AGRICULTURE REPS, MCAULIFFE WOULD POINT OUT THAT SUCH TEAMS ALREADY COME TO HUNGARY ON REGULAR BASIS TO CHECK ON MEAT PRODUCTS DESTINED FOR SHIPMENT TO CONTINENTAL U.S. WERE HE TO BALK AT ON-SITE INSPECTIONS BY U.S. ARMY VETERINARIANS, MCAULIFFE COULD RESPOND THAT 91 MEMBERS OF U.S. ARMED FORCES (PLUS DEPENDENTS) VISITED HUNGARY ON LEAVE IN 1974, AND MORE THAN 100 (PLUS DEPENDENTS) DURING THE FIRST EIGHT MONTHS OF 1975. MCAULIFFE MIGHT THEN ADD THAT THE TWO GOVERNMENTS AGREED TO ELIMINATE ALL CLOSED ZONES AND TRAVEL RESTRICTIONS ON SEPTEMBER 12 AND THAT USG FOR ITS PART, AND ALWAYS WITHIN APPLICABLE STATUTES, IS HONESTLY SEEKING TO EXPAND THE TIES OF TRADE AND COMMERCE TO THE BENEFIT OF THE PEOPLE OF BOTH NATIONS.

5. FINAL COMMENT: THIS KNIGHT'S GAMBIT, IF AUTHORIZED BY THE DEPARTMENT, COULD BE SHEER DELIGHT.
MCAULIFFE

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